

# CRS Report for Congress

## Egypt: Background and U.S. Relations

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# Egypt: Background and U.S. Relations

## Summary

This report provides an overview of Egyptian politics and current issues in U.S.-Egyptian relations. It briefly provides a political history of modern Egypt, an overview of its political institutions, and a discussion of the prospects for democratization in Egypt. This report will be updated regularly.

U.S. policy on Egypt is aimed at maintaining regional stability, improving bilateral relations, continuing military cooperation, and sustaining the March 1979 Egyptian-Israeli peace treaty. Successive Administrations have long viewed Egypt as a leader and moderating influence in the Middle East, though in recent years, there have been increasing calls for Egypt to democratize. Congressional views of U.S.-Egyptian relations vary. Some lawmakers view Egypt as stabilizing the region and helping to extend U.S. influence in the most populous Arab country. Others would like the United States to pressure Egypt to implement political reforms, improve its human rights record, and take a more active role in reducing Arab-Israeli tensions.

Among the current issues in U.S.-Egyptian relations are a shared concern about international terrorism. Egypt can claim some experience with the subject, having defeated domestic Islamist terrorists intent on overthrowing the government. As the war on terror continues, the United States relies on Egypt for intelligence cooperation. Egypt and the United States agree on the importance of the Egyptian-Israeli peace treaty and the need to continue current Arab-Israel peace talks. In support of this process, Egypt sent 750 Egyptian soldiers to the Egypt-Gaza border in order to prevent weapons smuggling following Israel's 2005 withdrawal from the Gaza Strip. Hamas' apparent takeover of the Gaza Strip would seem to pose a new challenge for Egypt and its border security efforts.

The United States and Egypt disagree over the speed and depth of, but not the need for, some of Egypt's economic reforms. The two governments differ on Egypt's need to introduce democratic reforms, and many U.S. officials argue that Egypt is not moving quickly enough toward full democracy or in improving the human rights situation. Others caution that movement toward democracy carries a risk of establishment of an Islamist government.

The United States has provided Egypt with an annual average of over \$2 billion in economic and military foreign assistance since 1979. The United States is to reduce Economic Support Funds (ESF) to about \$400 million per year by 2008 in keeping with a plan to reduce aid to both Israel and Egypt. The Administration requested \$415 million in economic grants and \$1.3 billion in military grants for FY2008 for Egypt. H.R. 2764, the FY2008 State, Foreign Operations, and Related Programs Appropriations bill would withhold \$200 million in FMF for Egypt until the Secretary of State certifies that Egypt has taken concrete steps toward implementing a new judicial authority law that protects the independence of the judiciary; reviewing criminal procedures and train police leadership in modern policing to curb police abuses; and detecting and destroying the smuggling network and smuggling tunnels that lead from Egypt to Gaza.

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# Egypt: Background and U.S. Relations

## Most Recent Developments

On June 13, 2007, the Egyptian state media announced that the ruling National Democratic Party won 84 of 88 seats in Shura Assembly elections. No independent candidates from the Muslim Brotherhood secured a seat in parliament's upper chamber.

On June 12, 2007, the House Appropriations Committee marked up a draft FY2008 appropriations bill (H.R. 2764) that included a new provision on Egypt. The draft bill would withhold \$200 million of FY2008 Foreign Military Financing for Egypt until the Secretary of State certifies Egypt is taking steps to address human rights concerns by reforming its judiciary, training its police, and addressing concerns about the smuggling of weapons to Gaza.

On May 31, 2007, a Cairo court rejected Ayman Nour's latest bid to be released from prison on medical grounds. Nour was convicted in December 2005 of forgery and sentenced to a five-year term.

On March 26, 2007, 34 amendments to the Egyptian constitution were approved in a popular referendum widely considered to be managed by pro-government forces. The amendments had already been approved by the parliament on March 19 in a session boycotted by opposition deputies from the Muslim Brotherhood and secular parties.

On February 15, 2007, Congress passed H.J.Res 20, the FY2007 Revised Continuing Appropriations Resolution (P.L. 110-5). Section 20405 of the act rescinds \$200 million in previously appropriated economic assistance to Egypt. Each year, a portion of Egypt's economic aid is withheld by USAID and released when the Egyptian government meets certain agreed upon economic reform benchmarks.

## **Stagnation in U.S.-Egyptian Bilateral Relations**

As the thirty year anniversary of the Camp David peace accords approaches, most observers believe that U.S.-Egyptian relations must be revitalized. Although diplomatic ties remain strong on both sides, the current paradigm of the relationship has grown stale, and condemnation of Egypt's poor human rights and democratization record has increased both in the U.S. media and in Congress. From the Egyptian standpoint, there has been deep disappointment and anger directed at the U.S. government, as many Egyptian officials believe that Egyptian cooperation with U.S. policy in the region has been taken for granted. Egypt argues that it dutifully upholds its peace treaty obligations with Israel, and has pushed other parties in the region toward pursuing peace. While other Arab governments have received additional U.S. support in recent years, Egypt asserts that its annual foreign assistance package has remained flat in recent years, and despite Egyptian lobbying, plans for a possible U.S.-Egyptian free trade agreement have been put on hold. Egypt has objected to President Bush's Middle East democratization agenda, which, at times, has been thwarted by President Mubarak and his allies. Even Egyptian reformers have expressed their dismay toward the United States and its perceived abandonment of regional reform.

From the U.S. perspective, officials have found it more difficult over time to defend U.S.-Egyptian relations in light of continued reports out of Egypt of human rights abuses aimed against peaceful demonstrators, bloggers, and Muslim Brotherhood opposition figures. While many policy makers continue to express their gratitude for Egyptian military cooperation, intelligence sharing, and contributions to international peacekeeping operations, it would seem that both parties have had difficulty in framing the relationship around any one issue. Egypt continues to push for a more active U.S. role in the Middle East peace process, while the United States continues to push for meaningful government reform, albeit less intensely since the 2006 Hamas electoral victory in Palestinian Authority legislative elections. The core question for the Administration and Congress remains how to preserve the strategic benefits of close military, intelligence, and diplomatic relations with Egypt while promoting political and economic reforms that will ensure the stability and development of Egypt over the long term.

Experts have posited a variety of reasons for the current stagnation. Egyptian critics have called their government a gerontocracy, noting that 79-year-old President Hosni Mubarak continues to be surrounded by some of the same advisors and cabinet officials from the early 1980s. While some Egyptians consider such stability reassuring, others contend that the Egyptian government needs to be infused with a new generation of civilian leaders. Analysts continue to speculate over Mubarak's 43-year-old son Gamal's possible ascension to the Egyptian presidency and what his leadership would mean for U.S.-Egyptian relations. Other observers contend that Egypt's regional prominence has declined in recent years, and other countries, such as Saudi Arabia, have stepped in to fill this void. Egypt is minimally affected by violence in Iraq, Afghanistan, and Lebanon. The Gaza Strip is one of the few areas in the region where it remains influential.

In FY2008, a ten-year phased reduction in assistance to Israel and Egypt ends, and both countries are seeking to renegotiate the composition of their foreign assistance package with the United States. Many analysts believe that the outcome of these talks, if they take place at all, may be a harbinger of the future direction of U.S.-Egyptian relations.

## Historical Background

### Egypt During the Colonial Era

Egypt's relations with the West, including its current friendly relations with the United States, are colored by a long history of foreign intervention in Egyptian politics, which has made Egypt, along with other Arab states, wary of outside influences on their domestic affairs. In the 19<sup>th</sup> century, Egypt was a semi-autonomous province in the Ottoman Empire, which by then was in decline and being propped up by the British in order to serve as a buffer between it and Czarist Russia. At the time, Egypt was viewed as extremely valuable to the British and French empires and was prized for its agricultural output, large domestic market, and strategic location between the Mediterranean and Red Seas. Most importantly, the British saw Egypt as vital to securing the sea route to its most prized colony, India. Ottoman weakness led its Sultans to grant Europeans certain legal protections and economic advantages in Egypt, which stifled the Egyptian economy by flooding it with European manufactured goods, driving local merchants out of business.<sup>1</sup>

Over time, Egypt developed a “cash crop” economy based almost solely on the export of cotton, the price of which constantly fluctuated, leaving the economy vulnerable and dependent on good harvests. Without a strong, diverse economy, Egypt could not generate enough capital to fund its modernization, leading it to become even more financially dependent on the West, as its rulers borrowed huge sums from European banks. Six years after the completion of the Suez Canal in 1869, Egypt was forced to sell all of its shares in the Suez Canal Company, which operated the Canal, in order to make payments on its foreign-owned debt. When Egypt could no longer pay its debts, the British and French became directly involved in Egyptian politics — a trend that would continue until the mid 20<sup>th</sup> century.<sup>2</sup>

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<sup>1</sup> Library of Congress, Federal Research Division, *Egypt: A Country Study*, accessible at [<http://lcweb2.loc.gov/frd/cs/egtoc.html>].

<sup>2</sup> Napoleon invaded Egypt in 1798. The British invaded in 1882 and established a de facto protectorate. They would keep a sizeable military force in Egypt until the 1950s.



**Figure 1. Map of Egypt**

Source: Map Resources. Adapted by CRS. (K.Yancey 7/1/05).

## The Constitutional Monarchy & the British

Britain unilaterally declared Egyptian independence in 1922, and for the next three decades, political power in Egypt was contested among three main actors: the British, the Egyptian monarchy, and the nationalist Wafd party, which was the driving force behind the Egyptian independence movement after World War I. Thousands of British troops remained stationed near the Suez Canal, and British officials served in the Egyptian ministries. Egypt's king could appoint a government and dismiss parliament, but ultimately relied on the British for support. The Wafd party dominated parliamentary elections during Egypt's experiment with parliamentary democracy (1922-1952), though the Wafd gradually began to lose popularity to more radical organizations, such as the Muslim Brotherhood.

## Nasser and Egypt During the Cold War

By the early 1950s, anti-British sentiment in Egypt had sparked civil unrest, allowing a cabal of Egyptian Army officers, known as the Free Officers Movement,

to oust the king in what is referred to as the July 1952 revolution. The Free Officer Movement ushered in an era of military involvement in Egyptian politics, as all of Egypt's presidents in the post-revolutionary period have been high ranking officers. In the aftermath of the coup, Colonel Gamal Abdul Nasser, the most charismatic of the Free Officers, succeeded in gaining total control over the government. Nasser abolished the monarchy and outlawed the Muslim Brotherhood (1954), which at the time was the only potential rival for power. Nasser would rule Egypt until his death in 1970.

During the Nasser era, Egypt found itself at the center of superpower competition for influence in the Middle East. Wary of taking sides, Nasser managed, for a short period, to steer Egypt clear of either the Soviet or Western "camp" and was instrumental in helping to establish the non-aligned movement. U.S.-Egyptian relations soured when Nasser turned to the Soviets and the Czechs in 1955 for military training and equipment after the West, frustrated by Nasser's repeated rejections and his support of Algerian independence against the French, refused to provide Egypt with defense assistance. A year later, following a U.S.-British decision to retract an offer of economic assistance and help for the construction of the Aswan Dam, Nasser nationalized the Suez Canal Company to use its revenues to finance the dam project. (Egypt owned the Suez Canal, but the British-French company operated the Canal, and collected the revenues from which it paid a small rent to Egypt.) In October 1956, Israel, France, and Britain invaded Egypt — Israel to stop Palestinian guerrillas from using Egypt as a base for operations against Israel, and France and Britain to occupy the Canal. President Eisenhower persuaded the three countries to withdraw from Egypt in early 1957, which briefly improved U.S.-Egyptian relations.<sup>3</sup>

After the 1956 Suez War, Nasser's popularity soared, as he came to embody Arab nationalism in the post-colonial era. Nasser did not hesitate to brandish his newfound authority and developed a muscular Egyptian foreign policy that attempted to destabilize pro-Western governments in Jordan, Iraq, and Lebanon, support Palestinian guerrilla action against Israel, create a unified Arab state by merging briefly with Syria (the United Arab Republic 1958-1961), and intervene against the Saudi-backed royalists in the Yemeni civil war.<sup>4</sup> However, Egypt's defeat at the hands of Israel in the June 1967 War and other setbacks temporarily deflated Nasser's popularity and crushed his ambitions to spread a pan-Arab ideology across the region.

On the domestic front, Nasser turned Egypt into a socialist dictatorship with absolute power in the hands of the President. All banks and commercial firms were nationalized, large landowning estates were broken up into much smaller parcels and held in a state trust, and all political parties were banned. The precursor to the present National Democratic Party (NDP) was formed by Nasser in 1962 and was called the

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<sup>3</sup> M.E. Yapp, *The Near East Since the First World War*, London: Longman, 1991, p. 409.

<sup>4</sup> During the Yemeni Civil War of 1963 through 1967, Egypt reportedly used mustard bombs in support of South Yemen against Saudi-backed royalist troops in North Yemen. See Federation of American Scientists (FAS) Egypt Special Weapons Guide, available online at [<http://www.fas.org/nuke/guide/egypt/index.html>].

Arab Socialist Union. It served as the Egyptian republic's first mass party and an extension of the ruling elite. Other movements, such as the Muslim Brotherhood, were forced to go underground, as Nasser arrested thousands of Brotherhood activists after a failed Brotherhood assassination attempt against him in 1954.<sup>5</sup>

## Egypt-Israeli Peace

After Nasser's death in 1970, Anwar Sadat, one of the original Free Officers, became President of Egypt. At the time, Egypt was humiliated by its defeat in the June 1967 War and the ensuing loss of the Sinai Peninsula to Israel. In addition, military rebuilding expenditures were absorbing nearly 25% of Egypt's gross domestic product. Under these circumstances, Sadat calculated that a military victory was needed to boost his own legitimacy and improve Egypt's position in any future negotiations with Israel. The October 1973 War, which initially took Israel by surprise, was costly for both sides, but succeeded in boosting Sadat's credibility with the Egyptian people, enabling him to embark on a path which would ultimately sever Egypt's ties to the Soviet Union and bring it closer to the West.

In November 1973, Egypt and the United States restored diplomatic relations (which had been cut off in 1967), and in December, the two countries participated in the Geneva peace conference. U.S. Secretary of State Henry Kissinger's shuttle diplomacy led to Egyptian-Israeli and Syrian-Israeli disengagement agreements in 1974 and a second set of Egyptian-Israeli disengagements in 1975. The United States resumed economic aid to Egypt in 1975 after an eight-year hiatus.

The United States endorsed Anwar al-Sadat's historic trip to Jerusalem in November 1977, and President Jimmy Carter assisted in the Israeli-Egyptian peace negotiations at Camp David in September 1978 and the Egyptian-Israeli peace treaty of March 1979.<sup>6</sup> The United States helped organize the peacekeeping mission along the Egyptian-Israeli border and the Multi-National Force and Observers (MFO), and still maintains a rotating infantry task force as part of it.<sup>7</sup>

## Egypt Under Mubarak

Sadat's rule came to an abrupt end in 1981, when he was assassinated during a military parade in Cairo by soldiers who also belonged to the Jamaah Islamiyah (Islamic Group) and Al Jihad, the more radical offshoots of the Muslim Brotherhood.

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<sup>5</sup> One of the Brotherhood activists arrested was Sayyid Qutb, a writer and former government official whose writings provided a philosophical foundation for Islamic radicalism. Qutb spent years in prison and, after being briefly released in 1964, was rearrested and hanged in 1966. See Daniel Benjamin & Steven Simon, *The Age of Sacred Terror* (New York: Random House, 1966), p. 62.

<sup>6</sup> A copy of the 1979 Egyptian-Israeli peace treaty is available online from MidEast Web Gateway at [<http://www.mideastweb.org/egyptisraeltreaty.htm>].

<sup>7</sup> The MFO is an independent (non-UN) peacekeeping mission, created as a result of the 1979 peace treaty. The MFO's expenses are funded in equal parts by Egypt, Israel, and the United States with additional contributions from Germany, Japan, and Switzerland. For more information on the MFO, see [<http://www.mfo.org/Default.asp?bhcp=1>].

Hosni Mubarak, Sadat's Vice President and former commander of the Egyptian Air Force, immediately ascended to the presidency and has remained in office to the present day. Under Mubarak, Egypt has continued to maintain good relations with the United States, as evident in Egypt's 1991 decision to join the allied coalition against Saddam Hussein in Operation Desert Storm. Following the path laid out by Sadat, Egypt has remained at peace with Israel, although critics have characterized this as a "cold peace." Mubarak has made a number of attempts to serve as a broker for Israeli-Palestinian peace talks, most notably in 1999 and 2000, when Egypt hosted the signing of an Israeli-Palestinian agreement for implementing past commitments and meetings between then Secretary of State Madeleine Albright and former Palestine President Yasir Arafat, respectively. During the Mubarak era, the ongoing conflict between Egyptian Islamists and the Egyptian authorities continued, culminating in a period (1992-1997) of violent confrontations between Islamic militants and Egyptian police.

After the September 11, 2001, terrorist attacks and the ensuing U.S. focus on promoting democracy in the Middle East, the Mubarak regime has come under increasing U.S. pressure to accelerate political reforms and make Egypt more democratic. In an effort to control the reform agenda without relinquishing their grip on power, Mubarak and the ruling National Democratic Party (NDP) have instituted some political reforms, while emphasizing the need for economic growth as a precondition for democratic change.

## Regime Structure

### Overview

Since the 1952 revolution, Egypt has officially been a republic, and its political system has developed some aspects of a democracy, though most observers continue to describe Egypt as an authoritarian regime dominated by a strong executive, who draws his support from the ruling National Democratic Party (NDP) and the military. Under the 1971 Constitution, authority is vested in an elected president who must stand for reelection every six years.<sup>8</sup> The President

#### Egypt at a Glance

Population:	77 million (est.)
GDP per Capita:	\$1,100-\$1,400
Religions:	90% Sunni Muslim 10% Coptic Christian
Literacy Rate:	57% (47% female)
Unemployment Rate:	15%-20% (est.)
External Debt: (as % of GDP)	\$33 billion 37.8%

**Source:** U.S. Central Intelligence Agency  
World Factbook 2005.

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<sup>8</sup> In 1980, the Constitution was amended to allow the President to run for an unlimited number of terms, rather than one as was stipulated in the 1971 Constitution. An English (continued...)

appoints the cabinet, who in turn draft and submit legislation to the legislature, the People's Assembly (lower house) and the Shura Council (upper house). The People's Assembly debates legislation proposed by government ministries and calls for amendments to government-sponsored bills but rarely initiates its own bills. The Shura Council is an advisory body, offering reports and recommendations on important subjects, but the Shura Council does not introduce, consider, or vote on legislation. Overall, analysts consider Egypt's legislative branch to be weak; the ruling party constitutes an overwhelming majority.

In the People's Assembly, 444 members are elected and ten are appointed by the President; 176 members of the Shura Council are elected and 88 are appointed. One half of the elected members of the People's Assembly and the Shura Council must be farmers and laborers (Art. 87 and Art. 196 of the Constitution). People's Assembly members are elected for five-year terms, and Shura Council members for six-year terms (one-half the Council members are elected every three years). Currently, the ruling National Democratic Party (NDP) controls 324 seats in parliament, Muslim Brotherhood-affiliated members hold 88 seats, and the remaining seats are held by a mix of independents and secular opposition parties. NDP members won 84 of the 88 seats contested in the June 2007 Shura Assembly election. Religious parties, such as the Muslim Brotherhood, are officially banned.

**Presidential Succession and the Rise of Gamal Mubarak.** Uncertainty over the potential successors to 79-year-old President Hosni Mubarak has dominated Egyptian politics over the last few years. Indeed, there has been endless speculation over the possible transition scenarios that could take place should President Mubarak become incapacitated or suddenly resign. Some analysts fear that a less than smooth transition of power could open the door for the Muslim Brotherhood to mobilize its supporters and demand an Islamist government. If such a situation were to occur, many observers wonder whether the military and security establishment would remain in the barracks or re-enter politics to establish order. Others assessments have been less dramatic, as many experts believe that the Egyptian political system is stable and that the chances for popular revolution are remote.

The health of 79-year-old President Hosni Mubarak, who has not named a vice president, has been questioned. Some analysts believe that Egyptian intelligence chief, Omar Suleiman, who has been an interlocutor between Palestinians and Israelis, could be a potential successor to Mubarak. In 2005, Egypt conducted its first competitive multi-candidate presidential election. Many analysts assume that the next Egyptian president will have to be elected in a popular vote. The next presidential election is scheduled for 2011.

Though President Hosni Mubarak has vehemently denied that he is grooming his 43-year-old son Gamal to succeed him, the younger Mubarak has had a meteoric rise to the highest levels of the Egyptian government in a short period of time, suggesting to many observers that his accession to the presidency may be imminent.

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<sup>8</sup> (...continued)

language version of the Constitution is available at [<http://www.parliament.gov.eg/EPA/en/sections.jsp?typeID=1&levelid=54&parentlevel=6&levelno=2>].

According to a March 2006 *Washington Post* article, Gamal Mubarak was recently named as one of three Deputy Secretary Generals of the NDP party, and many of his associates now fill the cabinet and party leadership.<sup>9</sup> In press interviews, Gamal Mubarak himself has refuted rumors that he will run for president in any future election, saying “I don’t have the intention or the desire to be a candidate. I repeat and emphasize again I don’t have this intention or desire, this is clear talk for those who want to understand.”<sup>10</sup> In May 2006, Gamal Mubarak secretly traveled to Washington, D.C. for meetings with Vice President Cheney and other high-level U.S. officials.<sup>11</sup> Many commentators have speculated over the purpose of the meetings, which came amid social unrest and demonstrations in Cairo. Some analysts believe that Gamal’s trip signifies his eventual ascension to the presidency.

**The Role of the Military in Egyptian Society.** Although military officers no longer play a direct role in the affairs of the civilian-run Egyptian government, the military is the preeminent institution in Egyptian society, and has been called on by successive governments to maintain internal security and regime stability.<sup>12</sup> From an economic standpoint, the military also provides employment and social services for hundreds of thousands of young people in a country with annual double digit unemployment rates. Military experts have often asserted that Egypt’s armed forces are bloated and maintain manpower at unnecessary levels for peacetime. In response, Egyptian officials and some scholars assert that the large size of Egypt’s military is justified based on the services it provides to soldiers and their families. Some estimate that the military trains 12% of young Egyptian males and that Egypt’s defense industries employ over 100,000 people.<sup>13</sup> The Egyptian military has its own companies, which produce consumer products, pharmaceuticals, and manufactured goods. The Egyptian officer corps also benefit from higher salaries, better housing, and high quality healthcare, which help ensure their loyalty to the government. Some members of the opposition have criticized these special benefits and the military’s fiscal autonomy, asserting that there is little civilian control over the military’s budget.

**The National Democratic Party (NDP).**<sup>14</sup> As the ruling party, the NDP dominates the political scene in Egypt, controlling well over 80% of the seats in parliament. In the 2000 parliamentary election, popular dissatisfaction with the status quo led to the defeat of many NDP incumbents, though the party maintained its supra-majority in parliament after a number of “independents” who had been NDP

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<sup>9</sup> “Clearing the Path For Scion of Egypt,” *Washington Post*, March 10, 2006.

<sup>10</sup> “Gamal Mubarak Says He Has No Intention to Run for Presidency to Succeed His Father,” *Associated Press*, January 24, 2006.

<sup>11</sup> “Mubarak’s Son Met With Cheney, Others,” *Washington Post*, May 16, 2006.

<sup>12</sup> In 1986, President Mubarak called on the military to put down riots in Cairo, sparked by the protests of Central Security conscripts who were angry with their low pay and poor working conditions. The military also was deployed in 1977 during riots over a temporary reduction in food subsidies.

<sup>13</sup> Imad Harb, “The Egyptian Military in Politics: Disengagement or Accommodation?,” *The Middle East Journal*, Washington, spring 2003. vol. 57, Issue 2, p. 269.

<sup>14</sup> The NDP’s website is available at [[http://www.ndp.org.eg/index\\_en.htm](http://www.ndp.org.eg/index_en.htm)].

members rejoined the party. Thereafter, NDP officials embarked on a campaign to improve the party's public image, holding the first party congress in 10 years in 2002. Since then, the NDP has held conferences in each successive year, touting a number of political reforms under the slogan of "new thinking." More importantly, the President's son, Gamal Mubarak, was appointed to the NDP's higher policy council, and other young reformers have become more visible in the party. Many analysts speculate that the NDP is undergoing a generational struggle between an "old guard" linked to tradition and deliberate change and young reformers who want rapid, far-reaching change. Others believe that even if a "new guard" were to gain control of the party, they would make no dramatic departures from previous NDP policies.

**The Judiciary and Calls for Judicial Independence.** Although Articles 64 and 65 of the constitution guarantee the independence of the judiciary, the state continues to hold sway over most judges and courts. However, many analysts consider this branch of government to hold the most potential for exercising greater "checks and balances" on the regime. Some judges have spoken openly about election abuses allegedly committed by pro-government forces in 2005. In April and May 2006, there were a number of demonstrations against the Mubarak regime. The protests were sparked by the state's disciplinary proceedings against two of Egypt's most senior judges, Mahmoud Mekki and Hisham Bastawisi, who were stripped of their judicial immunity and detained after publicly charging electoral fraud during parliamentary elections late last year. Bastawisi, who suffered a heart attack before his hearing, was warned that another offense would lead to his dismissal from the judiciary, while Mekki was cleared of all charges.

## **Reinforcing Regime Rule**

Over the last two years, the Mubarak government has tightened its grip on power and cracked down on domestic opponents. Some analysts assert that the government is deliberately flexing its muscles during a delicate period of political transition, as the President may be grooming his son to succeed him. Others have speculated that the regime may be sending a message to the international community, particularly the United States, that it will not be pressured into liberalizing its political system.

**The 2007 Constitutional Amendments.** In December 2006, President Mubarak announced a series of proposed constitutional amendments dealing with an array of issues, ranging from reforming Egypt's system of presidential and parliamentary elections to strengthening the legislative branch of government. On March 26, 2007, 34 amendments to the Egyptian constitution were approved in a popular referendum widely considered to be managed by pro-government forces. The government claimed that voter turnout for the referendum was close to 27% while the opposition asserts that less than 5% of all eligible voters actually participated. The amendments had already been approved by the parliament on March 19 in a session boycotted by opposition deputies from the Muslim Brotherhood and secular parties. According to an analysis of the amendments conducted by the Carnegie Endowment for International Peace, "Taken together, the amendments and process by which they were passed constitute an effort by the Egyptian regime to increase the appearance of greater balance among the branches of government and of greater

opportunities for political parties, while in fact limiting real competition strictly and keeping power concentrated in the hands of the executive branch and ruling party.”<sup>15</sup>

Among other changes, the amendments include the following:

- Amended Article 179 allows the president to have civilians tried in military courts and eliminates protections against arbitrary search and arrest in offenses related to terrorism.
- Revised Article 88 curtails judicial supervision of general elections and transfers oversight responsibility to an electoral commission. In 2000, the Egyptian Supreme Constitutional Court ruled that elections should have direct judicial oversight.
- Revised Article 5 forbids the formation of a party based on religion and bans all political activity based “on any religious reference or basis.” It is aimed at further hindering Muslim Brotherhood members from participating in future presidential elections. It is worth noting that Article 2 (amended in 1980 by Anwar Sadat) of the Egyptian Constitution stipulates that *Shariah* (Islamic law) is the “main source” or foundation of Egyptian law. Article 5 would appear to contradict the spirit or intent of Article 2. Furthermore, the new amendment simply reinforces an existing ban on religion-based parties that originated in the Political Parties Law of 1977.
- Revised Article 115 requires the government to present its annual budget to parliament at least three months before the end of the fiscal year and enables lawmakers to vote on individual items within the budget.
- Revised Article 62 changes the electoral system from a candidate-centered system to a mixed system of party lists and individual districts. This revision would further restrict the Muslim Brotherhood since, as an illegal organization, it cannot field a list of party candidates (Brotherhood members run as independents). This amendment also establishes a quota for female lawmakers in parliament.
- Revised Articles 82 and 84 alter rules governing presidential succession. Article 82 states that “If on account of any temporary obstacle the president of the republic is unable to carry out his functions, he shall delegate his powers to the vice-president or prime minister in case the post of the vice-president is vacant.” Since President Mubarak has never appointed a vice president, it would

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<sup>15</sup> Nathan J. Brown, Michelle Dunn, and Amr Hamzawy, “Egypt’s Controversial Constitutional Amendments: A Textual Analysis, *Carnegie Endowment for International Peace*, March 23, 2007.



appear that the prime minister's role during a potential succession would be enhanced. Article 84 stipulates that "in case of the vacancy of the presidential office or the permanent disability of the president of the republic, the speaker of the People's Assembly shall temporarily assume the presidency post; and, if at that time, the People's Assembly is dissolved, the chairman of the Supreme Constitutional Court [SCC] shall take over the presidency post. Neither the assembly's speaker nor the SCC's chairman, however, will be allowed to nominate themselves for the presidency while they are assuming this post on a temporary basis."

U.S. officials criticized both the content of the amendments and the expediency of their approval. In a recent visit to Egypt, Secretary of State Condoleezza Rice stated that "the Egyptians set certain expectations themselves about what this referendum would achieve and the hope that this would be a process that gave voice to all Egyptians.... I think there's some danger that their hope is not going to be met." Amnesty International called the amendments the "greatest erosion of human rights in 26 years" in Egypt.

**June 2007 Shura Council Elections.** On June 11, 2007, Egypt held a mid-term election for the Shura Assembly, the upper chamber of parliament with modest legislative powers. According to preliminary results, the ruling National Democratic Party (NDP) won 84 of 88 seats. There are currently 264 seats in the Shura Assembly, 176 are elected while the remaining 88 are appointed by presidential decree. The mid-term elections are held every three years. Most importantly, under the recently amended Article 76 of the Egyptian Constitution, for any independent candidate to run for president he or she has to gain the approval of 250 members of elected assemblies and municipalities, including 25 members of the Shura Assembly.

As usual, opposition activists charged that the election was marred by irregularities and violations (e.g. ballot stuffing, obstruction of polling centers, and underage voting ) committed by the state and ruling NDP party. Prior to election day, police and security forces arrested hundreds of Muslim Brotherhood members, including several Shura Assembly candidates claiming that they violated prohibitions against the use of religious slogans in political campaign material. The Muslim Brotherhood fielded 19 independent candidates out of a total of 88 ballots which were contested. This low number is both a result of regime efforts to dissuade the Brotherhood from fielding additional candidates, as well as a conscience policy on the part of the Brotherhood to limit its participation. Some analysts suggest that the regime would not allow the Brotherhood to vie for the necessary seats in the Shura Assembly in order to one day meet the constitutional threshold for fielding an independent candidate for the presidency. Some Egyptian non-governmental organizations attempted to monitor the elections. The Higher Election Commission, which was established by the recent amendments to Egyptian Constitution, is charged with setting the campaign rules and overseeing the elections. According to prominent

Egyptian judge Mahmoud Mekki, “The disclosure of electoral fraud during the last elections was why judges have been kept away from monitoring the elections.”<sup>16</sup>

## Political Opposition and Civil Society

Political opposition in Egypt is divided among legal opposition parties approved by the government, the outlawed Muslim Brotherhood, considered the most powerful opposition force, and a small array of movements, such as *Kefaya* (“Enough”), composed of civil society activists, academics, and intellectuals. By law, political parties must be approved by the seven-member Political Parties Committee (PPC). Since 1977, the Committee has approved 18 political parties and rejected almost 50.

### Legal Opposition Parties

Most experts regard Egypt’s legal opposition parties as divided with limited popular support. In the 2000 parliamentary elections, the principal opposition parties secured just 17 seats, despite widespread popular dissatisfaction with the ruling NDP. In 2005, these parties fared even worse, winning just 12 seats. Most recognized opposition parties publish their own newspapers, which frequently criticize the government and often expose human rights abuses. Most parties receive government subsidies and, in some cases, subsidies from foreign interests.

**The Democratic Front Party.** In May 2007, the Political Parties Committee authorized the formation of the Democratic Front Party (DFP) headed by former NDP member Osama el-Ghazali Harb who had resigned from the NDP in March 2006. Harb had served on the NDP’s Policy Committee and in the Shura Assembly, though he gradually became disillusioned with the party’s lack of progress in implementing political reform. Many analysts assert that the approval of this new “liberal” party is yet another staged attempt at reform conducted by the ruling regime. The party itself denies that it struck a deal with the regime claiming that it was approved due to the strength of its leadership and policy proposals. The DFP identifies itself as a liberal party that rejects mixing religion and politics.

### The Muslim Brotherhood<sup>17</sup>

The Muslim Brotherhood (MB) was founded in Egypt in 1928 to turn Egypt away from secularism and toward an Islamic government based on *Sharia* (religious) law and Muslim principles.<sup>18</sup> The Muslim Brotherhood operates as a religious

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<sup>16</sup> “Egypt’s Dissidents Held Down by Law,” *Los Angeles Times*, June 12, 2007.

<sup>17</sup> For more information, see CRS Report RL33486, *U.S. Democracy Promotion Policy in the Middle East: The Islamist Dilemma*, by Jeremy M. Sharp.

<sup>18</sup> The Muslim Brotherhood is generally considered as the parent organization for Brotherhood branches throughout the Middle East region. Former Brotherhood members also have formed a number of radical and extremist off-shoots, including Hamas. See Gilles Kippel, *Jihad: The Trail of Political Islam* (Cambridge: Harvard University Press, 2002), (continued...)

charitable and educational institution, having been banned as a political party in 1954; however, many Muslim Brotherhood members run for parliament as independents. In the 2000 parliamentary elections, 17 independent candidates, who were regarded as Brotherhood sympathizers, were elected. In 2005, Brotherhood-affiliated candidates won 88 seats in parliament. Over the years, the Egyptian government has alternated between tolerating and suppressing the Muslim Brotherhood, sometimes arresting and jailing its members, and other times allowing its members to operate almost without hindrance.

Many foreign observers agree that the organization has renounced the use of violence as a political tactic, while many Egyptian officials continue to perceive the Brotherhood as a threat and are unwilling to legalize the movement.<sup>19</sup> In the West, the issue of whether or not to recognize the Muslim Brotherhood as a legitimate political actor continues to perplex policymakers, particularly after the September 11, 2001 terrorist attacks. On the one hand, there has been a general reluctance to push for Islamist inclusion in politics, out of concern that, once in power, groups such as the Muslim Brotherhood will pursue policies counter to Western interests in the region or will transform states into theocracies. On the other hand, some experts believe that if these groups are not brought into the political mainstream, they will eventually resort to violence out of frustration.

In April 2007, the Egyptian and U.S. press featured several articles on meetings between Members of Congress and Egyptian parliamentarians including an encounter with the Brotherhood's leader in parliament Mohammad Saad al-Katatni. Semi-official Egyptian newspapers criticized any U.S. dealings with Brotherhood members, while certain U.S. publications speculated that the meetings symbolized more U.S. willingness to directly engage Islamist groups. Other analysts assert that the significance of these encounters were exaggerated by reporters eager for headlines. The U.S. Embassy in Cairo adamantly denied that any meetings with Brotherhood parliamentarians represented a change in U.S. policy toward the group, while al-Katani asserted that his talks with Members of Congress focused on Palestinian issues and not domestic politics.<sup>20</sup>

Most analysts believe that, from an organizational standpoint, the Brotherhood is the only movement capable of mobilizing significant opposition to the government, though opinions vary on how much mass support the Brotherhood commands. As is typical for Islamist groups across the region, the Muslim Brotherhood is strongest among the professional middle class, controlling many of the professional syndicates (associations), including those representing engineers, doctors, lawyers and academics.<sup>21</sup>

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<sup>18</sup> (...continued)  
p. 151.

<sup>19</sup> During the 1940s and early 1950s, the Brotherhood's paramilitary wing waged a guerrilla campaign against British rule and, after independence, against Nasser.

<sup>20</sup> "U.S. May Be Softening Stance on Muslim Brotherhood," *Newsweek*, April 23, 2007.

<sup>21</sup> John Walsh, "Egypt's Muslim Brotherhood," *Harvard International Review* (Cambridge: (continued...))

**Recent Government Crackdown.** Between 2006 and 2007, thousands of Muslim Brotherhood members have been arrested by the Egyptian security forces. Authorities also have frozen Brotherhood assets, and, for the first time in seven years, between 30 and 40 Brotherhood members are to stand trial before a military court despite a recent court order invalidating the legality of a military trial. The trial has been postponed until July 15, 2007.

## Imprisoned Opposition Figures

**Ayman Nour.** Ayman Nour (age 41), a former member of the Egyptian parliament and second place finisher in Egypt's first multi-candidate presidential election in 2005, is currently serving a five-year sentence for forgery in a prison hospital. On May 19, 2006, Egypt's highest appeals court rejected Ayman Nour's appeal for a retrial; he cannot file another appeal. Nour's imprisonment is considered a stumbling block in U.S.-Egyptian bilateral relations, though opinions differ on how much of an impact his imprisonment will have over the long term. Most analysts believe that improvements in the relationship, such as announcing the United States' intention to negotiate a U.S.-Egyptian free trade agreement, has been put on hold in part because of the treatment of Nour. In addition, Nour's imprisonment could bolster efforts to alter Egypt's foreign assistance package in Congress. In 2002, the Administration and Congress rejected \$134 million in new economic assistance for Egypt to protest the imprisonment of political activist Saad Eddin Ibrahim. In many ways, some say Nour's case is a trial balloon for the Administration's larger efforts to promote democracy in the region, and many observers are curious as to how far the Bush Administration will push Egypt on the Nour issue. Experts note that political reform is just one of a number of U.S. policy goals with Egypt and that other priorities, including security cooperation, intelligence-sharing, and promoting peace in the region, could influence U.S.-Egyptian relations.

The Senate conference report (S.Rept. 109-277) accompanying H.R. 5522, the FY2007 Foreign Operations Appropriations Bill, noted that "the Committee remains concerned with the lack of political reform in Egypt and the incarceration of secularist politicians, including Ayman Nour. The Committee believes the State Department should be far more vocal in publicly condemning human rights abuses occurring in Egypt."

In June 2007, at the conference on Democracy and Security in Prague, Czechoslovakia, President Bush named Ayman Nour as one of several "dissidents who could not join us, because they are being unjustly imprisoned." President Bush also listed Egypt, Pakistan and Saudi Arabia as countries that "have a great distance still to travel" in making democratic reforms. Egyptian Foreign Minister Ahmed Abul Gheit reacted to President Bush's speech by stating that it amounted to "unacceptable interference" in Egyptian politics. Saad Eddin Ibrahim, who attended the conference, reportedly spoke to President Bush prior to his speech. According to Ibrahim, he told the President that "I specified four points. The first is continuing pressure to release Ayman Nour with all means possible to the USA, in addition to

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<sup>21</sup> (...continued)  
winter 2003), vol. 24, issue 4, p. 32.

the release of all political prisoners or avoiding referring them to martial courts; [secondly,] that the USA should use all the cards at its disposal to end the state of emergency in Egypt; [thirdly,] to exert pressure to guarantee the independence of the judiciary, and lastly, to commit Mubarak to carry out all the promises he made during his election campaign.”<sup>22</sup> Nour’s latest attempt to secure a release from prison on medical grounds was denied in May 2007.

## **Civil Society in Egypt**

Although political opposition continues to be stymied, observers note that, over the past two decades, Egypt has developed a vibrant civil society, which some development experts hope will further democratization in the country. The term “civil society” generally refers to the growing number of non-governmental organizations (NGO), charities, and advocacy groups that openly operate in Egyptian society. Many of these groups pursue so-called “safe issues,” such as women’s rights, human rights, and social equality, as a way to work toward the much broader goal of democratization. Often times, the Egyptian government has created its own associations in order to boost its reform image at home and abroad, such as the government-sponsored National Council on Human Rights.

In Egypt, NGOs are required to apply for legal status and, according to Association Law 84-2003, NGOs must be registered with the Ministry of Social Affairs. There are an estimated 16,000 registered civic organizations in Egypt. In some cases, it may take years before the ministry rules on an application, and many groups are routinely rejected. If an NGO’s application is rejected, it has few legal rights and can be shut down. Its members can be imprisoned. However, even registered NGOs must tread carefully when engaging in sensitive political issues, as some groups have been periodically closed or have had their legal status revoked. NGO’s also must report all foreign donations to the Ministry of Social Affairs. Overall, tolerance for the activities of non-registered groups varies, and many NGOs operate without any legal protection.<sup>23</sup>

## **Current Issues in U.S.-Egyptian Relations**

### **Relations with Israel**

The 1979 Egyptian-Israeli peace treaty has served as the basis for good relations between Egypt and the United States. Although Israel and Egypt have maintained cool relations since then, both parties have maintained the peace, and the United States has continued to underwrite the “costs” of peace by providing high amounts of annual economic and military aid to both parties. One “cost” for Egypt was the

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<sup>22</sup> “U.S. President Reportedly Briefed on Egyptian Dissidents Before Making Speech,” *Al Masri al Yawm*, Open Source Center Document# GMP20070608950051, June 8, 2007.

<sup>23</sup> Human Rights Watch, “Margins of Repression: State Limits on Non-Governmental Organization Activism,” July 2005. Available online at [<http://hrw.org/english/docs/2005/07/04/egypt11217.htm>].

diplomatic isolation it suffered following the peace treaty. In 1979, Egypt was expelled from the Arab League, an organization it had helped found.<sup>24</sup> At the time, the rest of the Arab world had felt betrayed by Egypt for making a separate peace with Israel.

Despite the treaty, the development of close economic, political, and diplomatic relations between Israel and Egypt has been limited since 1979. Although there have been some initiatives, such as recent energy cooperation agreements,<sup>25</sup> overall relations remain cool. In 2007, several incidents increased tensions between the two governments. Egypt recently uncovered several espionage cases involving its citizens spying for Israel, including the recent arrest of 35-year-old Mohammed Sayed Saber Ali, who is accused of stealing documents from the Atomic Energy Agency on Egypt's Inshas reactor and providing them to agents of Israel's Mossad intelligence service in return for \$17,000. Earlier in the year, Egypt asked the International Committee of the Red Cross to investigate claims that Israeli forces executed Egyptian prisoners-of-war during the 1967 War. The allegations originated from an Israeli television documentary which claimed that 250 Egyptian PoWs were killed in the Sinai peninsula during the War. After the documentary drew widespread condemnation in Egypt, the director of the film stated that the executed prisoners were Palestinians and not Egyptians.

## **The Israeli-Palestinian Conflict & Hamas**

Most experts believe that progress in the Israeli-Palestinian peace process is the key to improved Egyptian-Israeli relations, as well as Israel's wider relationships with the Arab world. In light of the continued stalemate on the peace process, President Mubarak has attempted to act as a broker, advisor, messenger, and arbitrator in the hopes of galvanizing both sides to take the necessary risks for peace. In May 2007, he met with Israeli Foreign Minister Tzipi Livni in Cairo to discuss the Arab Peace Initiative. In addition, Egypt's intelligence chief, Omar Suleiman, has repeatedly met with Hamas and Palestinian Authority figures in order to secure cease-fire arrangements with Israel.

Overall, Egypt, Israel, and the United States all have a shared interest in attempting to moderate and isolate Hamas and prevent it from further exacerbating conflict in the region. Though Egypt has often tried to steer a neutral course in dealing with the Palestinians, most observers believe that Hamas's rise to prominence poses a number of challenges for Egyptian diplomacy in the region, since the Egyptian government has traditionally been at odds with its own domestic Islamist groups. Hamas' apparent takeover of the Gaza Strip poses a new challenge for Egypt.

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<sup>24</sup> Egypt was readmitted to the Arab League in 1989 during a period of renewed international interest in Arab-Israeli peace.

<sup>25</sup> In June 2005, Egypt and Israel signed a long-delayed \$2.5 billion agreement on sales of Egyptian natural gas to Israel. Under the terms of the agreement, Israeli state-owned utility Israel Electric Corp will purchase gas from Eastern Mediterranean Gas (EMG), a private Israeli-Egyptian firm. On December 11, 2006, Israeli energy company Dorad Energy signed an agreement worth up to \$2.5 billion to buy natural gas from EMG. A pipeline from Egypt to Israel is being built.

**Egypt's Role in the Gaza Withdrawal.** Israel unilaterally dismantled its settlements and withdrew its troops from the Gaza Strip in August and September 2005. In order to facilitate a smooth transition and take an active role in Israeli-Palestinian peace, Egypt offered to post border guards on the Gaza-Egyptian border, increase its efforts to reorganize and train Palestinian security forces, and halt smuggling of contraband into Gaza. After extensive negotiations with Israeli officials, Egypt deployed 750 border guards to secure “the Philadelphi Route,” a strip of land in Egypt immediately adjacent to the Gaza Strip that is notorious for tunnels used for smuggling weapons and narcotics.<sup>26</sup> The memorandum of understanding between Israel and Egypt delineates the type of equipment the Egyptians may use (small arms and jeeps, no heavy armor) and the length of the patrol area (14km on the ground and 3 km into the sea).<sup>27</sup>

Egyptian officials share the opinion of other governments in the region that the unilateral Israeli withdrawal from Gaza should be the first step toward a general withdrawal of all Israeli forces from Palestinian territory. The Egyptians and others point out that Israeli withdrawal is called for in U.N. resolutions, particularly 242, and the recent “Road Map” approach to peace, and that many Israelis also favor withdrawal. Egyptian leaders believe that the United States should be less inclined to accept and support Israeli positions and more inclined to support what they view as an even handed approach that will ensure Palestinian rights. Egyptians also point out that the Road Map calls for Israel to stop building and expanding settlements in the occupied territories, and argue that the United States should be more forceful in compelling Israel to meet those commitments.

**Smuggling Tunnels.** For years, residents of the divided Palestinian town of Rafah have engaged in smuggling goods, people, and arms to and from the Gaza Strip. With the withdrawal of Israeli troops from the Gaza-Egyptian border in 2005, the job of curbing Palestinian smuggling activity has fallen on the Egyptian military, and Israeli officials have alternated between praising and criticizing Egypt in its efforts to uncover networks of hidden underground tunnels. Overall, there lies a fundamental difference between Israel and Egypt over the perceived threat of Palestinian smuggling. Israel believes that the digging of tunnels undermines its national security because it facilitates a steady stream of arms flowing into Gaza. Egyptian officials sometimes assert that Israeli officials exaggerate the threat posed by the tunnels and view their existence as part of a wider organized criminal enterprise that trades in cigarettes, drugs, and the smuggling of illegal workers, prostitutes, and even Palestinian brides for grooms inside Gaza.

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<sup>26</sup> In August 2006, Egypt deployed another 1,200 civilian police officers to the Gaza-Egyptian border in order to prevent Palestinian militants from blowing a hole in the border wall. The Rafah border crossing has been closed since June 2006 due to continued Hamas-Israeli clashes. During the initial closure, some Palestinians who had earlier crossed into Egypt became stranded and unable to return home. Militants have repeated threatened to blow a hole in the border wall and free the stranded Palestinians on the Egyptian side.

<sup>27</sup> For a summary of the Israeli-Egyptian border agreement, see [<http://www.washingtoninstitute.org/templateC05.php?CID=2374>].

In September 2006, Israeli Shin Bet chief Yuval Diskin warned that Palestinians may have smuggled anti-tank weapons over the Egyptian-Gaza border.<sup>28</sup> In follow-up statements, Diskin remarked that “The Egyptians know who the smugglers are and don’t deal with them.... They received intelligence on this from us and didn’t use it.” Ze’ev Schiff, a columnist for the Israeli newspaper *Ha’aretz* recently wrote that “The rules of engagement for the Egyptian forces guarding the border are also strange. The Egyptian guards are not allowed to shoot Palestinian smugglers. They are also not allowed to return fire unless they are endangered. Clearly the Egyptians are making great efforts not to hit Palestinians, even law breakers.”<sup>29</sup> Egyptian officials argue that they lack the adequate resources and manpower to effectively patrol Gaza/Sinai border.

**Arming Palestinian Moderates.** In December 2006, several news outlets reported that Egypt, with the approval of the Israeli government, shipped 2,000 AK-47 rifles and large stockpiles of ammunition to Fatah-affiliated groups in the Gaza Strip.<sup>30</sup> With intra-Palestinian violence flaring in the Gaza Strip, U.S., Israeli, and Egyptian officials were concerned that Hamas militants could gain an upper hand over forces loyal to Palestinian Authority President Mahmoud Abbas. Indeed, these concerns were born out after the June 2007 Hamas takeover of the Gaza Strip. From Egypt’s standpoint, providing military support to one Palestinian faction, while in their interest, could pose problems for the Mubarak government. Egyptian public opinion may be somewhat sympathetic to Hamas, making public disclosure of overt Egyptian support for anti-Hamas groups an unwelcome development for the Mubarak government. The Egyptian Muslim Brotherhood has criticized Mubarak’s support for Fatah, asserting that Egypt is no longer considered an honest broker between Palestinian factions and that Saudi Arabia has stepped in to fill this void. On the other hand, Egypt derives certain political benefits as one of the few outside powers capable of acting as an intermediary between Israel, the United States, and the Palestinians.

In May 2007, Israel reportedly allowed approximately 500 Fatah loyalists to cross back into the Gaza Strip from Egypt, where they were receiving U.S. military training.<sup>31</sup> Two weeks later, the *Jerusalem Post* reported that Palestinian President Abbas requested that U.S. General Keith Dayton, the U.S. Security Coordinator for Israel and the Gaza Strip, provide ammunition, grenades, and Kalashnikov rifles to Palestinian security forces under his command via Egypt and with prior authorization from Israel.<sup>32</sup>

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<sup>28</sup> “Increased Attempts to Smuggle Weapons into Gaza Raise Concern,” *Ha’aretz*, September 6, 2006.

<sup>29</sup> “Egypt and weapons smuggling / Empty promises to prevent ‘Hamastan,’” *Ha’aretz*, November 4, 2006.

<sup>30</sup> See, “With approval of Israeli Gov’t, Egypt Transfers Thousands of Rifles to Fatah,” *Ha’aretz*, December 28, 2006.

<sup>31</sup> “Israel, US, and Egypt back Fatah’s fight against Hamas,” *Christian Science Monitor*, May 25, 2007.

<sup>32</sup> “Officials: Israel May Let Egypt Transfer Weapons To Fatah Troops Loyal to Abbas,” (continued...)



## Nuclear Cooperation

During the ruling National Democratic Party's annual conference in September 2006, President Mubarak and his son Gamal announced in separate speeches Egypt's plans to revive its long-dormant nuclear energy program. Egypt's Energy Minister followed the dramatic announcement by saying that the possible construction of a \$1.5 billion, 1,000-megawatt nuclear power plant on the Mediterranean coast could be completed by 2015. Egypt is a signatory to the Nuclear Non-Proliferation Treaty (NPT) that allows for the peaceful production of nuclear energy. Egypt's nascent nuclear program was frozen in 1986 following the accident at the Chernobyl power plant in the Ukraine; however, it maintained a small experimental nuclear reactor. In 2005, the International Atomic Energy Agency (IAEA) investigated Egypt's nuclear activities and concluded that Egypt had conducted atomic research but that the research did not aim to develop nuclear weapons and did not include uranium enrichment. Egypt admitted to failing to disclose the full extent of its nuclear research activities to the IAEA.

As of June 2007, Egypt has not formally issued a tender for the construction of a nuclear reactor. At this time, it is unclear how Egypt will finance its civilian nuclear program. Some observers have speculated that the oil-rich Persian Gulf monarchies could subsidize Egypt's nuclear program. Leaders of the Gulf Cooperation Council (GCC) recently stated that they intended to start a joint nuclear energy development program and that "states of the region have a right to possess nuclear energy technology for peaceful purposes."<sup>33</sup> In October 2006, Secretary of State Condoleezza Rice stated that the United States "would be pleased" to discuss with Egypt its civilian nuclear energy plans. A month later, President Mubarak traveled to Russia and China, where he reportedly told Russian and Chinese leaders that Egypt welcomed their cooperation on the nuclear front. In February 2007, Robert Joseph, former U.S. Under Secretary of State for Arms Control and International Security, met with Egyptian officials in Cairo to discuss nuclear cooperation issues. Although Egypt may have legitimate energy shortfalls that are driving the pursuit of nuclear energy, most analysts suspect that concern over Iran's quest for nuclear weapons is behind the Egyptian initiative.<sup>34</sup> Nevertheless, Egypt has indicated in talks with U.S. officials that it could have a reliable supply of reactor fuel and it would not invest in its own uranium enrichment capability.<sup>35</sup>

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<sup>32</sup> (...continued)

The Jerusalem Post, June 7, 2007, Open Source Center document #GMP20070607735008.

<sup>33</sup> "Arab Nations Plan to Start Joint Nuclear Energy Program," *New York Times*, December 11, 2006.

<sup>34</sup> Although Egypt exports oil and natural gas, its overall reserves are modest, and the government claims that unless new deposits and fields are discovered, Egypt's oil reserves will be exhausted in 14-17 years. Gas reserves are expected to last for at least another three decades. Furthermore, domestic consumption is expected to rise dramatically in the coming years, and the Egyptian government claims that demand for electricity will triple in the coming two decades. In Egypt, electricity is subsidized by the government.

<sup>35</sup> "With Eye on Iran, Rivals Also Want Nuclear Power," *New York Times*, April 15, 2007.

## Sudan and the Conflict in Darfur

One of Egypt's primary foreign policy goals is to secure the headwaters of the Nile, the lifeblood of Egypt and its main source of freshwater. The Blue Nile and White Nile converge in Sudan's capital of Khartoum. Egypt aims to strengthen Sudan's central government, and international condemnations of the Sudanese government's complicity in the killings of Muslim African ethnic groups by the Arab Janjaweed militia in Darfur have placed Egypt in a difficult diplomatic position. On the one hand, Egypt has attempted to symbolically support international efforts to alleviate the humanitarian crisis in Darfur. In April 2007, Egypt announced that it would contribute up to 1,000 troops to a joint U.N.-African Union peacekeeping force in Darfur. On the other hand, Egypt, through the Arab League has refused to call the killings in Darfur a "genocide," and has denounced the U.S. imposition of sanctions on the Sudanese government. According to Egyptian Foreign Minister Ahmed Abul Gheit, "Sanctions have never solved a problem." H.Con.Res. 7 (passed in the House on April 25, 2007) strongly urges the League of Arab States, among other things, to "declare the systematic torture, rape, and displacement of Darfurians a genocide."

## Terrorism

Over the past two years, there has been a resumption of terrorist activity in Egypt, in what some suggest could be a revival of earlier, more violent periods.

- In October 2004, bombs exploded at two major resorts that cater to Israelis and other Western tourists in the Sinai Peninsula, 34 people were killed and over 120 were wounded in the attack.
- On April 7, 2005, an explosion in the Khan al-Khalili market area of Cairo killed three, including one U.S. citizen. A group called the al-Ezz Islamic Brigade claimed responsibility for the attack.
- On April 30, 2005, a man exploded a suicide bomb near the Egyptian museum while being pursued by police, wounding seven; and two women, the fiancé and sister of the suicide bomber, fired at a tourist bus before committing suicide. No one was injured in the bus attack. Two groups claimed responsibility for the attacks, but neither claim was confirmed.
- On July 23, 2005, two car bombs and a set of explosives concealed in a backpack exploded at various tourist destinations in the Egyptian resort town of Sharm al-Shaykh. As many as 88 people, including one American, were killed in the blasts. Investigations into the attacks have focused on the possible link to a local terrorist cell who may have committed the October 2004 bombings.
- On April 24, 2006, Egyptian terrorists attacked the Sinai Peninsula resort town of Dahab, killing 21 people and injuring hundreds. Two days later, suicide bombers attacked a police station in the northern

Sinai and a base camp of the Multinational Force and Observers, a peacekeeping mission that was created as part of the 1979 peace treaty between Egypt and Israel. Two people were injured in the attacks.

Egypt has suffered through a new wave of attacks emanating from previously unknown groups in the Sinai Peninsula. After each attack, Egyptian authorities identified some of the perpetrators as members of local Bedouin tribes. Egyptian security forces have launched several operations in the Sinai and have arrested hundreds of Bedouin suspects, leading some to speculate that police heavy-handedness may be further exacerbating tensions between Bedouin and the state.

The extent of outside involvement in the recent wave of terrorism in Egypt is still uncertain. The Bedouin/Palestinian terrorist network in the Sinai that has claimed credit for the bombings in Dahab, Sharm al-Shaykh, and Taba calls itself Al-Tawhid w'al-Jihad. Israeli officials have suggested that Al Qaeda or another international group operating in the Sinai may have supported the Bedouin operatives. Egyptian intelligence officials have publicly stated that some members of Al-Tawhid w'al-Jihad were sent to the Gaza Strip to receive training from Hamas. Other observers discount the possibility of outside involvement and believe that the Bedouin, who have historically kept their distance from the state, have grown frustrated with poor living conditions in the Sinai and sought revenge for the mass detentions that followed the October 2004 bombings. Some experts postulate that, although the terrorists may have acted on their own, members of Al-Tawhid w'al-Jihad may have drawn their inspiration from Al Qaeda.

**Figure 2. The Sinai Peninsula**

Source: Map Resources. Adapted by CRS. (K. Yancey 5/19/06).

## U.S. Policy to Promote Democracy in Egypt

Many analysts have questioned the depth of the U.S. commitment to democratization in Egypt, particularly after the 2006 Hamas victory in Palestinian parliamentary elections. In this changed atmosphere, in which Egyptian security cooperation on the Gaza-Egyptian border is valued, some observers have speculated that U.S. policy makers may tone down their rhetoric on reform in Egypt.

Through annual foreign operations and State Department appropriations legislation, Congress provides funding for reform in Egypt through the following programs: the United States Agency for International Development's (USAID) Egypt Office;<sup>36</sup> the Middle East Partnership Initiative (MEPI), a State Department program designed to encourage reform in Arab countries by strengthening Arab civil society, encouraging micro-enterprise, expanding political participation, and promoting

<sup>36</sup> For a list of USAID's democracy and good governance programs in Egypt, see the USAID website at [[http://www.usaid.gov/locations/asia\\_near\\_east/countries/egypt/egypt.html](http://www.usaid.gov/locations/asia_near_east/countries/egypt/egypt.html)].

women's rights;<sup>37</sup> the State Department's Human Rights and Democracy Fund (HRDF), an account that funds human rights promotion in Muslim-majority countries; and the National Endowment for Democracy's (NED) Muslim Democracy Program.

Congress seeks to ensure that U.S. foreign assistance for Egypt is being appropriately used to promote reform. In conference report (H.Rept. 108-792) language accompanying P.L. 108-447, the FY2005 Consolidated Appropriations Act, conferees specified that "democracy and governance activities shall not be subject to the prior approval of the GoE [government of Egypt]. The managers intend this language to include NGOs and other segments of civil society that may not be registered with, or officially recognized by, the GoE. However, the managers understand that the GoE should be kept informed of funding provided pursuant to these activities."

Many in the Egyptian government appear to feel threatened by the current thrust of U.S. policy and resist some U.S.-advocated changes that seek to empower opposition movements. In June 2006, the Egyptian government ordered the International Republican Institute (IRI) and the National Democratic Institute (NDI), two U.S. democracy promotion organizations, to halt all activities in Egypt until they formally registered with the government. According to the group's officials, they have submitted papers for registration in early July and are waiting for an Egyptian government response. In the meantime, their offices are open, but all programmatic activity has come to a halt.<sup>38</sup> Egypt took this action after the government was reportedly angered by the comments of an IRI employee who gave an interview to a local paper in which she remarked that political reform in Egypt had not been achieved in the past 25 years and that the institute would work to speed up political reform in the country.

## **The Economy & U.S.-Egyptian Trade**

As a developing country with the largest population (76.5 million) in the Arab world, Egypt faces a number of economic and environmental challenges, including a lack of arable land, high unemployment, rampant corruption, rapid urbanization, and extreme poverty (30% of the population lives below the poverty line). Egypt's economy revolves around several sectors: the state; the production of oil and natural gas; the tourism industry; remittances from between two and five million Egyptians working abroad; revenues from the Suez Canal; agriculture; clothing and textile manufacturing; pharmaceuticals; and foreign aid. Since the early years of Anwar Sadat's rule, Egypt has been evolving from a centrally controlled, socialist economy to a free market, capitalist society — a gradual process that has created difficult

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<sup>37</sup> It was recently reported that, for the first time, MEPI has issued several small grants to political activists and human rights organizations in Egypt. See "Tentative Steps: Democracy Drive By America Meets Reality in Egypt," *Wall Street Journal*, April 11, 2005.

<sup>38</sup> CRS analyst's conversation with officials in Cairo, July 14, 2006.

decisions for the Egyptian government, income inequality, and hardships for the Egyptian people.<sup>39</sup>

In order to increase foreign investment and qualify for development loans from international lending institutions, Egypt has had to demonstrate that it is making tangible progress in liberalizing its economy. Based on government consultations with the International Monetary Fund (IMF), Egypt committed to reducing its budget deficit through fiscal restraint in 2005. The government reduced energy subsidies, but faces enormous political resistance to trimming public subsidies on bread, sugar, and cooking oil, which cushion the impact of economic downturns on Egypt's poor.<sup>40</sup> Egypt also reinvigorated its privatization program to attract foreign investment, allocate resources more efficiently, and increase external competitiveness. Significant shares of the state-owned Suez Cement Company and joint ventures in the energy sector have been sold. The government divested shares in the state-dominated banking and insurance sectors as well. Privatization efforts have stalled recently due to disagreements about labor issues and concerns about the impact of privatization on unemployment and the price of goods. Additionally, the government removed import service fees and surcharges and reduced the average weighted rate for tariffs in September 2004. In the past few years, the government liberalized the telecommunications sector, but significant trade barriers remain in the service sector. Although analysts remain cautious as to what effect reforms may have on the economy, the government has recently streamlined the tax system, canceled many customs duties, and forced smaller banks to merge with the country's four largest banks.

Due to the combination of government-instituted economic reforms and high global oil and gas prices, Egypt has experienced strong economic growth over the past three years. According to preliminary figures, Egypt experienced a 7.1% growth rate in the first half of 2007, and foreign direct investment has soared, from a mere \$200-\$300 million in 2004 to well over \$6 billion in 2006. Liquefied natural gas (LNG) exports have been the main engine driving the Egyptian economy. According to the Financial Times, companies such as ENI, BG and BP have invested billions of dollars in Egypt's gas sector, causing production to double.

**Corruption.** Egypt, like other developing nations, has struggled to overcome high levels of corruption, which many analysts consider the biggest obstacle to achieving economic growth. Corruption in Egypt is found in all sectors of the government as, in recent years, a number of high level officials (including several former ministers) has been indicted for fraud and influence peddling. Moreover,

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<sup>39</sup> It is estimated that the public sector in Egypt still employs nearly a third of the population. See American Chamber of Commerce in Egypt, Egypt Key Economic Indicators, online at [<http://www.amcham.org.eg/BSAC/EconomicIndicators/EcIndicators.asp>].

<sup>40</sup> In 1977, there were mass demonstrations throughout Egypt following the government's decision to cut public subsidies on flour, rice, and cooking oil in order to demonstrate to international lenders, such as the International Monetary Fund, that Egypt was making necessary macroeconomic reforms. Over the course of two days, several hundred were killed and hundreds more arrested, as the Egyptian army was called into the streets to restore order.

Egypt's bloated, cumbersome bureaucracy is infamous for making bribery a common practice, as poorly-paid government workers seek additional money and citizens seek ways to circumvent the maze of public regulations and overlapping agencies. Some analysts believe that the corruption issue enhances the popularity of the Muslim Brotherhood, which frequently invokes Islam to rally against the moral corruption in society. The Egyptian press also has been active in exposing corruption scandals.

**Trade Overview.** The United States is Egypt's largest bilateral trading partner, while Egypt is the United States' 54<sup>th</sup> largest trading partner.<sup>41</sup> According to the Department of Commerce's 2004 Country Commercial Guide for Egypt, Egypt is the largest single market worldwide for American wheat and is a significant importer of other agricultural commodities, machinery, and equipment.<sup>42</sup> The United States also is the second largest foreign investor in Egypt, primarily in the oil and gas sector.

Since the mid-1990s, Egyptian officials have sought to negotiate a free trade agreement (FTA) with the United States, claiming that an Egyptian-American FTA could boost Egypt's economy by as much as 3%. The two parties signed a Trade and Investment Framework Agreement (TIFA) in 1999. The TIFA established a Council on Trade and Investment (TIFA Council) composed of representatives of both governments and chaired by the United States Trade Representative (USTR) and Egypt's Minister of Economy and Foreign Trade. Intellectual property rights (IPR) protection was a contentious issue in pre-FTA negotiations held under the TIFA. The U.S. Trade Representative (USTR) placed Egypt on its 2006 Special 301 Priority Watch List due to Egypt's inadequate IPR enforcement and issuance of market approvals for unauthorized pharmaceutical products.

**Table 1. U.S.-Egyptian Trade Statistics 2004-2005**

<b>Selected Commodities</b>	<b>2004 \$ Amount Estimated</b>	<b>2005 \$ Amount Estimated</b>
<b>U.S. Exports to Egypt</b>	<b>3.1 billion</b>	<b>3.2 billion</b>
Machinery	514 million	570 million
Cereals	808 million	553 million
Vehicles	229 million	344 million
Aircraft	350 million	231 million
<b>U.S. Imports from Egypt</b>	<b>1.3 billion</b>	<b>2.1 billion</b>
Mineral Fuel, Oil	262 million	1.078 billion
Apparel	422 million	444 million
Iron & Steel	254 million	103 million

**Source:** U.S. International Trade Commission (USITC) Interactive Tariff and Trade DataWeb, accessible at [<http://www.dataweb.usitc.gov>].

<sup>41</sup> The European Union is Egypt's largest multilateral trading partner.

<sup>42</sup> U.S. Department of Commerce, *Egypt Country Commercial Guide FY2004*, October 2003.

On January 17, 2006, the *New York Times* reported that the United States had put on hold its intention to announce free trade talks with Egypt. The decision to table such an announcement was reportedly done in protest to the sentencing of secular opposition figure Ayman Nour to five years in prison for his alleged fraud in registering his political party. Nour, who placed second in Egypt's 2005 presidential election, is appealing the decision and remains in prison. In October 2005, Rob Portman, the former United States trade representative, had told Congress that the Administration was considering negotiating trade agreements with Egypt and three other Middle Eastern countries.<sup>43</sup>

In 1996, Congress authorized the creation of Qualified Industrial Zones (QIZ) in order to entitle goods jointly produced by Israel and either Jordan or Egypt to enter the United States duty free.<sup>44</sup> In December 2004, Egypt finally reached an agreement with Israel to designate several Qualified Industrial Zones (QIZ) in Egypt under the mandate of the U.S.-Israeli Free Trade Agreement. Goods produced in Egyptian QIZs allow Egyptian-made products to be exported to the United States duty-free if the products contain at least 11.7% input from Israel. On November 1, 2005, the USTR designated a new Qualified Industrial Zone (QIZ) in the central Nile delta region, bringing the total number of QIZs in Egypt to four.

## Human Rights, Religious Freedom, and Women's Rights

According to the U.S. State Department's *2006 Country Reports on Human Rights Practices*, the Egyptian government's respect for human rights "remained poor, and serious abuses continued in many areas." The 2006 report, as in past years, documents several instances of torture allegedly carried out by Egyptian security forces. The Egyptian prison system, particularly detention facilities used for incarcerating suspected Islamist radicals, has come under increasing international scrutiny for exacerbating militancy in the region due to its tendency to harden some criminals who have been tortured over prolonged periods of time.

International human rights organizations have long documented instances of torture, arbitrary detainment, and discrimination against women, homosexuals, and Coptic Christians in Egypt. The government has long restricted freedom of assembly, though recent opposition protests have been permitted and, in some cases, police were absent from public demonstrations. In recent years, press freedom and general freedom of speech have expanded in Egypt, though legal restrictions, such as press laws which can lead to jail terms for journalists convicted of defamation, continue to foster a high degree of self-censorship in the media. However, Arab satellite televisions, like *Al Jazeera* and others, have challenged Egyptian state-owned media by broadcasting, among other programs, opposition demonstrations and interviews with Muslim Brotherhood members.

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<sup>43</sup> "United States Designates New Qualifying Industrial Zone in Egypt," U.S. Department of State International Information Programs, November 1, 2005.

<sup>44</sup> See CRS Report RS22002, *Qualified Industrial Zones in Jordan: A Model for Promoting Peace and Development in the Middle East?*, by Mary Jane Bolle, Alfred Prados, and Jeremy Sharp.



In 2006, security forces arrested, detained without charge, and fined several bloggers. One activist, 22-year old student blogger Abdel Karim Nabil Suleiman, was arrested in November 2006 for criticizing conservative Muslims. In February 2007, he was sentenced to four years in prison on charges of insulting the Prophet Muhammad, inciting sectarian strife, and insulting President Hosni Mubarak. His appeals have been denied. In 2007, Abdel Moneim Mahmoud, a blogger for the Muslim Brotherhood, was detained, along with others, without charge or trial. Mahmoud, who was detained in 2003, had previously exposed cases of police abuse in Egyptian prisons by describing first-hand his experience of being incarcerated in Egypt's notorious Tora prison.<sup>45</sup>

Some Egyptian and international human rights activists have charged that U.S. human rights policy toward Egypt is hypocritical, asserting that U.S. policy makers have not adequately championed improved human rights in Egypt due to *realpolitik* considerations in the region. In addition, several reports suggest that, since the September 11, 2001, terrorist attacks, the U.S. Central Intelligence Agency has deported several suspected Al Qaeda operatives to Egypt (along with other Arab countries) in order to be interrogated and possibly tortured.<sup>46</sup> Some observers have questioned the credibility of U.S. human rights policy toward Egypt, if, on the one hand, the United States condemns Egyptian practices of torture and illegal detainment, and, on the other hand, the United States condones Egyptian government behavior when it suits the interests of U.S. national security.

**Religious Freedom.** There is no official government policy of discrimination against the 9 million Coptic Christians in Egypt, and the Constitution provides for equal rights without regard to religion. Nevertheless, critics note that there are no Christians serving as governors, police commissioners, city mayors, public university presidents, or deans.<sup>47</sup> Converts to Christianity in Egypt may face bureaucratic obstacles in registering their new religious status with the state. In addition, there have been reports of periodic discrimination against small minority communities of Baha'is (an estimated 2,000 Baha'is live in Egypt), Shiites, and Jews (200 remain in Egypt). In an effort to promote tolerance, President Mubarak in December 2003 recognized the Coptic Christmas, January 6, as a national holiday.

Despite government efforts to improve Muslim-Christian relations, a number of obstacles remain. For example, the 10 articles of "Humayun," or the Humayun Code, a portion of Ottoman legislation from 1856, still controls the building or repair of churches in Egypt and is a source of great aggravation to Coptic Christians. Under this law, a license is required to erect a church. In addition, there are ten restricting conditions for the construction of churches, including a minimum distance between churches and between a church and the nearest mosque, as well as the absence of objection on the part of Muslim neighbors. In December 2004, President Mubarak

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<sup>45</sup> "Egypt Targets Web-Savvy Opponents," *Christian Science Monitor*, May 2, 2007.

<sup>46</sup> Egypt has admitted that between 60 and 70 of its citizens have been seized abroad and flown to Egypt. See, "Inside the Dark World of Rendition," *The Independent* (London), June 8, 2007.

<sup>47</sup> Egypt's Minister of Finance, Yusef Boutros-Ghali, hails from a prominent Christian family.

issued a new decree that devolved church repair and reconstruction decisions to the provincial level and stipulated that churches would be permitted to proceed with rebuilding and repair without legal hindrance. However, permits for construction of new churches require a presidential decree.

**Women's Rights.** Although Egyptian women have played major roles in the country's drive for independence and many women currently serve in prestigious public posts, women face a number of obstacles at the legal, religious, and cultural levels. For example, according to the U.S. State Department's 2004 Human Rights Report on Egypt, female genital mutilation (FGM) remained a serious problem because of widespread cultural acceptance, despite the government's attempts to eliminate the practice.<sup>48</sup> Moreover, personal status laws governing marriage, divorce, custody, and inheritance discriminate against women, particularly when it comes to divorce, as there is much societal resistance to breaking up the family unit. Domestic violence also is a major issue, as some estimate that as many as a third of all married Egyptian women have faced some form of physical abuse.<sup>49</sup> In recent years, new non-governmental organizations have started to provide services and counseling to women, who may be too afraid to go to the authorities.

## Military Cooperation

**"Bright Star" and other Joint Military Operations.** The United States and Egypt conducted the first "Bright Star" joint military exercise in August 1983, and continue to hold periodic "Bright Star" exercises for infantry, airborne, artillery, and armored forces. On August 11, 2003, the United States announced that it was canceling the October 2003 Bright Star exercise because U.S. armed forces were over-committed in Afghanistan, Iraq, and other areas. In 2005, Bright Star exercises took place in Egypt with over 9,000 U.S. troops reportedly participating.

**Intelligence Cooperation.** Although it is difficult to discern the extent of U.S.-Egyptian intelligence cooperation, there is a sense among many U.S. security officials that Egypt's long struggle against domestic Islamic radicals has made it a valuable partner in the global war on terrorism. Since the September 11, 2001 terrorist attacks, there have been several reports suggesting that the U.S. Central Intelligence Agency has deported several suspected Al Qaeda operatives to Egypt (along with other Arab countries) in order to be interrogated. In 2005, an Italian prosecutor asked a judge to issue arrest warrants for several CIA operatives accused of kidnapping an Egyptian cleric off the streets of Milan and bringing him to Egypt in 2003. The cleric reportedly was held in prison for more than two years without formal charges, though Egyptian officials have accused him of having ties to Jamaah

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<sup>48</sup> According to the report, an estimated 97% of Egyptian women who have ever been married had undergone FGM. See U.S. State Department, Country Report on Human Rights Practices: Egypt, February 2005. Available at [<http://www.state.gov/g/drl/rls/hrrpt/2004/41720.htm>].

<sup>49</sup> Human Rights Watch, "Divorced from Justice: Women's Unequal Access to Divorce in Egypt," June 2004. Available online at [<http://hrw.org/reports/2004/egypt1204/>].

Islamiya.<sup>50</sup> In March 2007, he was released from an Egyptian prison and is reportedly planning to sue the U.S. and Italian governments. Milanese prosecutors are reportedly building a case against 39 people, including 25 Americans. Members of the Italian secret services, including Nicolo Pollari, the director of the Italian military intelligence agency known as Sismi Pignero, have been charged in the case.

## **U.S. Foreign Assistance to Egypt**

Since 1979, Egypt has been the second largest recipient, after Israel, of U.S. foreign assistance, receiving an annual average of close to \$2 billion in economic and military aid. Congress typically earmarks foreign assistance for Egypt in the foreign operations appropriations bill. The annual earmark has included a statement that Egypt should undertake further economic reforms in addition to reforms taken in previous years.

### **Economic Aid**

Annual bilateral economic assistance to Egypt is typically provided in three different ways: (1) as a direct cash transfer to the Egyptian government; (2) as part of the Commodity Import Program (CIP), which provides hard currency to the Egyptian private sector to purchase U.S. agricultural goods; and (3) as funds for USAID programming in Egypt. In recent years, Congress has sought to specify how Egypt's economic aid would be spent, prioritizing funding for USAID's democracy and education programs. Egypt claims that U.S. assistance programs must be jointly negotiated and cannot be unilaterally dictated by the United States.

As part of the FY2007 request, USAID plans on spending \$255 million in ESF. The Administration intends to provide \$183 million of Egypt's \$455 million total ESF package as a direct cash transfer. There is no request for CIP funds in the FY2007 Administration budget.

U.S. economic assistance to Egypt has been decreasing since 1998, when the United States began reducing economic assistance to Egypt and Israel. In January 1998, Israeli officials negotiated with the United States to reduce economic aid and increase military aid over a 10-year period. A 3 to 2 ratio similar to U.S. aid to Israel and Egypt was applied to the reduction in aid (\$60 million reduction for Israel and \$40 million reduction for Egypt), but Egypt has not received an increase in military assistance. Economic aid has dropped in annual \$40 million increments from \$815 million in FY1998 to \$455 million in ESF for the FY2007 request.<sup>51</sup>

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<sup>50</sup> Ibid.

<sup>51</sup> Egypt has periodically received supplemental aid. The FY2003 Emergency Supplemental Appropriations Act (P.L. 108-11) included \$300 million in ESF for Egypt, which could be used to cover the costs of up to \$2 billion in loan guarantees. The loan guarantees are to be issued over three years.

**FY2007 Rescission.** The cash transfer portion of annual ESF to Egypt is conditioned on Egyptian efforts to implement necessary economic reforms. USAID has withheld the disbursement of several hundred million dollars in ESF to Egypt until certain benchmarks have been met. These benchmarks were outlined in a March 2005 financial sector reform agreement between USAID and the Egyptian government. In report language (H.Rept. 109-486) accompanying the House version of H.R. 5522, the FY2007 Foreign Operations Appropriations Bill, appropriators recommended that the Administration rescind \$200 million in cash assistance funds previously appropriated but not yet expended. The Senate version recommended rescinding \$300 million from prior year ESF assistance for Egypt. Lawmakers did note that “When the Government of Egypt completes additional benchmarks of the financial sector reform agreement of March 2005 and funds are needed by USAID to transfer to Egypt in accordance with the agreement, the Committee will consider accommodating that requirement at the appropriate time.”

On February 15, 2007, Congress passed H.J.Res 20, the FY2007 Revised Continuing Appropriations Resolution (P.L. 110-5). Section 20405 of the act rescinds \$200 million in previously appropriated economic assistance to Egypt.

## Military Aid

The Administration has requested \$1.3 billion in FMF for Egypt in FY2007 — the same amount it received in FY2006. FMF aid to Egypt is divided into three general components: (1) acquisitions, (2) upgrades to existing equipment, and (3) follow-on support/ maintenance contracts. According to the Government Accountability Office, over the life of Egypt’s FMF program, Egypt has purchased 36 Apache helicopters, 220 F-16 aircraft, 880 M1A1 tanks, and the accompanying training and maintenance to support these systems, among other items.<sup>52</sup> According to the U.S. and Egyptian defense officials, approximately 30% of annual FMF aid to Egypt is spent on new weapons systems, as Egypt’s defense modernization plan is designed to gradually replace most of Egypt’s older Soviet weaponry with U.S. equipment. That figure is expected to decline over the long term because of the rising costs associated with follow-on maintenance contracts. Egyptian military officials have repeatedly sought additional FMF funds to offset the escalating costs of follow-on support. Egypt also receives Excess Defense Articles (EDA) worth hundreds of millions of dollars annually from the Pentagon. Egyptian officers also participate in the IMET program (\$1.2 million requested for FY2007) in order to facilitate U.S.-Egyptian military cooperation over the long term.

In addition to large amounts of annual U.S. military assistance, Egypt also benefits from certain aid provisions that are available to only a few other countries. Since 2000, Egypt’s FMF funds have been deposited in an interest bearing account in the Federal Reserve Bank of New York and have remained there until they are obligated. By law (P.L. 106-280), Congress must be notified if any of the interest accrued in this account is obligated. Most importantly, Egypt is allowed to set aside FMF funds for current year payments only, rather than set aside the full amount

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<sup>52</sup> See [<http://www.gao.gov/new.items/d06437.pdf>].

needed to meet the full cost of multi-year purchases. Cash flow financing allows Egypt to negotiate major arms purchases with U.S. defense suppliers.

**Possible Weapons Purchase from Russia?** In late 2006, President Mubarak traveled to Russia, where in meetings with President Putin, he suggested that Egypt may purchase additional Russian aircraft and air defense systems. One Egyptian analyst observed that “The statements are intended for the United States, probably as a response to the pressure the United States places on Egypt through the aid it provides. The American Congress is always debating whether to renew the aid, asking whether Egypt is on our side. So this is a message to the American Congress.”<sup>53</sup>

**Recent U.S. Military Sales to Egypt.** As stated earlier, Egypt uses its FMF funds to purchase U.S. defense equipment. By law, Congress must be notified of any new purchase agreement. Israel has protested U.S. sales of certain military technologies to Egypt; the Egyptians insist that all U.S. weaponry is used for defensive purposes and is intended to upgrade or replace its aging Soviet hardware. The Department of Defense’s Defense Security Cooperation Agency (DSCA), is charged with managing U.S. arms sales to Egypt. Recent sales include one reported on July 29, 2005, when the Defense Security Cooperation Agency notified Congress of a possible Foreign Military Sale to Egypt of 200 M109A5 155mm self-propelled howitzers as well as associated equipment and services. The total value, if all options are exercised, could be as high as \$181 million.

## **FY2007 Foreign Operations Appropriations**

For FY2007, Foreign Operations programs are currently operating under the terms of a continuing appropriations resolution. On February 15, 2007, Congress passed H.J.Res 20, the FY2007 Revised Continuing Appropriations Resolution (P.L. 110-5). The act provides \$1.3 billion in FMF for Egypt but does not provide a specific amount of ESF. Section 20405 of the act rescinds \$200 million in previously appropriated economic assistance to Egypt.

## **FY2008 Foreign Operations Appropriations**

On June 12, 2007, the House Appropriations Committee marked up a draft FY2008 appropriations bill (H.R. 2764) that included a new provision on Egypt. The draft bill would withhold \$200 million of FY2008 FMF for Egypt until the Secretary of State certifies Egypt is taking steps to address human rights concerns by reforming its judiciary, training its police, and addressing concerns about the smuggling of weapons to Gaza.

## **The Debate over U.S. Assistance to Egypt**

In recent years, Egypt’s aid program has drawn increasing scrutiny from some lawmakers concerned over Egypt’s poor human rights record. Some lawmakers

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<sup>53</sup> “Revisiting Historical Policy of Seeking Arms from Russia,” *Daily Star* (Cairo), November 2, 2006.

believe that U.S. assistance to Egypt has not been effective in promoting political and economic reform and that foreign assistance agreements must be renegotiated to include benchmarks that Egypt must meet to continue to qualify for U.S. foreign aid. Others have periodically called for restrictions on U.S. aid to Egypt on the grounds that Egypt's record on religious freedom is substandard.

The Administration and Egyptian government assert that reducing Egypt's military aid would undercut U.S. strategic interests in the area, including support for Middle East peace, U.S. naval access to the Suez Canal, and U.S.-Egyptian intelligence cooperation. U.S. military officials argue that continued U.S. military support to Egypt facilitates strong military-to-military ties. The U.S. Navy, which sends an average of close to a dozen ships through the Suez Canal per month, receives expedited processing for its nuclear warships to pass through the canal, a valued service that can normally take weeks for other foreign navies. In addition, some U.S. lawmakers argue that cutting aid, particularly military assistance, harms the United States since all of Egypt's FMF must be spent on American hardware and associated services and training.

**Recent History of Congressional Action on Aid to Egypt .** Since the 108<sup>th</sup> Congress, there have been several attempts in Congress to reduce U.S. assistance to Egypt, including the following.

#### **108<sup>th</sup> Congress**

- An amendment offered on July 15, 2004, to the House FY2005 foreign operations bill (H.R. 4818) would have reduced U.S. military aid to Egypt by \$570 million and increased economic aid by the same amount, but the amendment failed by a vote of 131 to 287.

#### **109<sup>th</sup> Congress**

- An amendment offered on June 28, 2005, to the House FY2006 foreign operations bill (H.R. 3057) would have reduced U.S. military aid to Egypt by \$750 million and would have transferred that amount to child survival and health programs managed by USAID. The amendment failed by a recorded vote of 87 to 326.
- H.R. 2601, the FY2006/FY2007 House Foreign Relations Authorization bill, would have reduced U.S. military assistance to Egypt by \$40 million for each of the next three fiscal years, while using the funds to promote economic changes, fight poverty, and improve education in Egypt. There was no comparable provision in the Senate's Foreign Relations Authorization bill (S. 600).
- On May 25, 2006, the House Appropriations Committee in a voice vote rejected an amendment to cut \$200 million in military aid to Egypt during markup of H.R. 5522, the FY2007 Foreign Operations Appropriations Bill. In June 2006, the House narrowly defeated an amendment (198-225) to the bill that would have reallocated \$100 million in economic aid to Egypt and used it instead to fight AIDS

worldwide and to assist the Darfur region of Sudan. Many supporters of the amendment were dismayed by the Egyptian government's spring 2006 crackdown on pro-democracy activists in Cairo. Representative David Obey of Wisconsin sponsored both amendments.

- In report language (H.Rept. 109-486) accompanying the House version of H.R. 5522, the FY2007 Foreign Operations Appropriations Bill, appropriators recommended that the Administration rescind \$200 million in cash assistance funds previously appropriated but not yet expended. The Senate version recommended rescinding \$300 million from prior year ESF assistance for Egypt.

### 110<sup>th</sup> Congress

- On February 15, 2007, Congress passed H.J.Res 20, the FY2007 Revised Continuing Appropriations Resolution (P.L. 110-5). Section 20405 of the act rescinds \$200 million in previously appropriated economic assistance to Egypt.

**Table 2. Recent U.S. Aid to Egypt**  
(millions of dollars)

Year	Economic	Military	IMET	Total
1948-1997	23,288.6	22,353.5	27.3	45,669.4
1998	815.0	1,300.0	1.0	2,116.0
1999	775.0	1,300.0	1.0	2,076.0
2000	727.3	1,300.0	1.0	2,028.3
2001	695.0	1,300.0	1.0	1,996.0
2002	655.0	1,300.0	1.0	1,956.0
2003	911.0	1,300.0	1.2	2,212.2
2004	571.6	1,292.3	1.4	1,865.3
2005	530.7	1,289.6	1.2	1,821.5
2006	490.0	1,287.0	1.2	1,778.2
Total	29,459.2	34,022.4	37.3	63,518.9

**Note:** FY2004 totals reflect the .59% across-the-board reduction.

**Table 3. U.S. Foreign Assistance to Egypt, 1946-1997**

(millions of dollars)

Year	Total	Military Loan	Military Grant	I.M.E.T Grant	Misc. Economic Grant	D.A. Loan	D.A. Grant	ESF Loan	ESF Grant	P.L. 480 I	P.L. 480 II
1946	9.6	—	—	—	9.3 Surplus 0.3 UNWRA	—	—	—	—	—	—
1948	1.4	—	—	—	1.4 Surplus	—	—	—	—	—	—
1951	0.1	—	—	—	0.1 Tech Asst	—	—	—	—	—	—
1952	1.2	—	—	—	—	—	0.4	—	—	—	0.8
1953	12.9	—	—	—	—	—	12.9	—	—	—	—
1954	4	—	—	—	—	—	3.3	—	—	—	0.7
1955	66.3	—	—	—	—	7.5	35.3	—	—	—	23.5
1956	33.3	—	—	—	—	—	2.6	—	—	13.2	17.5
1957	1	—	—	—	—	—	0.7	—	—	—	0.3
1958	0.6	—	—	—	—	—	0	—	—	—	0.6
1959	44.8	—	—	—	—	—	2	—	—	33.9	8.9
1960	65.9	—	—	—	—	15.4	5.7	—	—	36.6	8.2
1961	73.5	—	—	—	—	—	2.3	—	—	48.6	22.6
1962	200.5	—	—	—	—	20	2.2	20	—	114	44.3
1963	146.7	—	—	—	—	36.3	2.3	10	—	78.5	19.6
1964	95.5	—	—	—	—	—	1.4	—	—	85.2	8.9
1965	97.6	—	—	—	—	—	2.3	—	—	84.9	10.4
1966	27.6	—	—	—	—	—	1.5	—	—	16.4	9.7
1967	12.6	—	—	—	—	—	0.8	—	—	—	11.8
1972	1.5	—	—	—	—	1.5	—	—	—	—	—
1973	0.8	—	—	—	—	—	—	—	—	—	0.8
1974	21.3	—	—	—	—	—	—	—	8.5	9.5	3.3



## CRS-36

Year	Total	Military Loan	Military Grant	I.M.E.T Grant	Misc. Economic Grant	D.A. Loan	D.A. Grant	ESF Loan	ESF Grant	P.L. 480 I	P.L. 480 II
1975	370.1	—	—	—	—	—	—	194.3	58.5	104.5	12.8
1976	464.3	—	—	—	—	—	5.4	150	102.8	201.7	4.4
TQ	552.5	—	—	—	—	—	—	429	107.8	14.6	1.1
1977	907.8	—	—	—	—	—	—	600	99.2	196.8	11.7
1978	943.2	—	—	0.2	0.1 Narc.	—	—	617.4	133.3	179.7	12.5
1979	2588.5	1500	—	0.4	—	—	—	250	585	230.7	22.4
1980	1167.3	—	—	0.8	—	—	—	280	585	285.3	16.1
1981	1681.2	550	—	0.8	—	—	—	70	759	272.5	28.9
1982	1967.3	700	200	2.4	—	—	—	—	771	262	31.9
1983	2332	900	425	1.9	—	—	—	—	750	238.3	16.8
1984	2470.8	900	465	1.7	—	—	—	—	852.9	237.5	13.7
1985	2468.7	—	1175	1.7	—	—	—	—	1065.1	213.8	13.2
1986	2539.1	—	1244.1	1.7	—	—	—	—	1069.2	217.5	6.6
1987	2317	—	1300	1.8	—	—	—	—	819.7	191.7	3.9
1988	2174.9	—	1300	1.5	—	—	—	—	717.8	153	2.6
1989	2269.6	—	1300	1.5	—	—	1.5	—	815	150.5	1.2
1990	2397.4	—	1294.4	1.6	—	—	—	—	898.4	203	—
1991	2300.2	—	1300	1.9	—	—	—	—	780.8	165	52.5
1992	2235.1	—	1300	1.8	—	—	—	—	892.9	40.4	—
1993	2052.9	—	1300	1.8	—	—	—	—	747.0	—	4.1
1994	1868.6	—	1300	0.8	—	—	—	—	561.6	35	6.2
1995	2414.5	—	1300	1	—	—	0.2	—	1113.3	—	—
1996	2116.6	—	1300	1	—	—	—	—	815	—	0.6
1997P	2116	—	1300	1	—	—	—	—	815	—	—
Total	45669.4	4550	17803.5	27.3.0	11.2	80.7	82.8	2620.7	15923.8	4,114.3	455.1

## CRS-37

**Notes:** Totals may not add due to rounding. No U.S. aid programs for years 1947, 1949, 1950, 1968, 1969, 1970, and 1971. P.L. 480 II Grant for 1993 includes \$2.1 million in Sec. 416 food donations.

TQ	= Transition Quarter; change from June to September fiscal year
*	= less than \$100,000
I.M.E.T.	= International Military Education and Training
UNRWA	= United Nations Relief and Works Agency
Surplus	= Surplus Property
Tech. Asst.	= Technical Assistance
Narc.	= International Narcotics Control
D. A.	= Development Assistance
ESF	= Economic Support Funds
P.L. 480 I	= Public Law 480 (Food for Peace), Title I Loan
P.L. 480 II	= Public Law 480 (Food for Peace), Title II Grant
P	= Preliminary